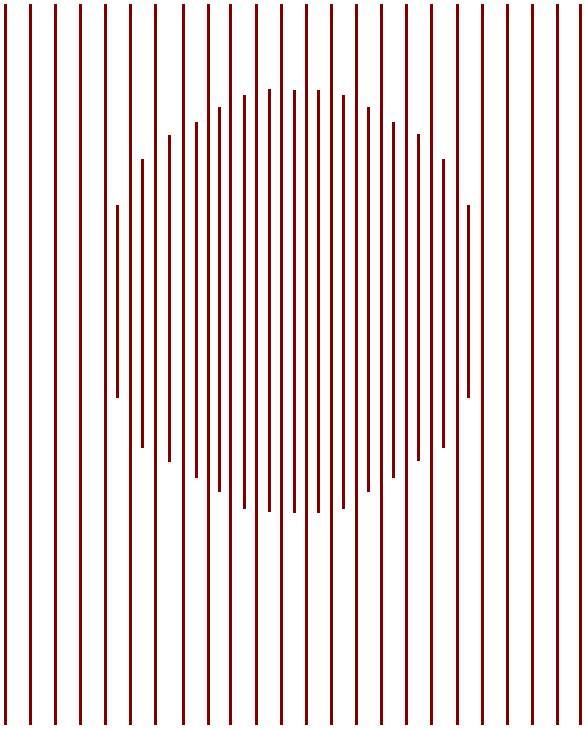
CBO PAPERS

AN ANALYSIS OF THE ADMINISTRATION'S FUTURE YEARS DEFENSE PROGRAM FOR 1995 THROUGH 1999

January 1995



CONGRESSIONAL BUDGET OFFICE

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SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

NOTES

Unless otherwise indicated, all years referred to in this paper are fiscal years.

Numbers in the text and tables may not add to totals because of rounding.

Unless otherwise indicated, all costs are expressed in billions of current dollars of budget authority.

PREFACE

For at least the past decade, mismatches have often occurred between plans for the military forces (both personnel and equipment) that Administrations proposed to field and the financial resources available to support those forces. Recent studies by the General Accounting Office and other organizations have argued that the same circumstances apply to the Administration's Future Years Defense Program covering the 1995-1999 period.

At the request of Congressmen Floyd D. Spence and Ronald V. Dellums, Chairman and Ranking Minority Member of the House Committee on National Security respectively, this Congressional Budget Office (CBO) paper analyzes the factors that could lead to a near-term mismatch between defense plans and budget resources. It also addresses the long-term budgetary implications of modernizing the Bottom-Up Review force structure. Three related CBO memorandums ("The Costs of the Administration's Plan for the Air Force Through the Year 2010," "The Costs of the Administration's Plan for the Army Through the Year 2010," and "The Costs of the Administration's Plan for the Navy Through the Year 2010") present CBO's estimates of the Administration's plan for each military department. In keeping with CBO's mandate to provide objective, nonpartisan analyses, this paper makes no recommendations.

Rachel Schmidt of CBO's National Security Division prepared the analysis under the supervision of Cindy Williams, R. William Thomas, and Neil M. Singer. The paper draws on two earlier assessments of the Administration's Future Years Defense Program by Lane V. Pierrot and Michael A. Miller.

A number of other CBO staff made important contributions. Amy Belasco conducted much of the research on the centralization of the Department of Defense's operation and maintenance activities. Amy Plapp estimated the cost of military and civilian pay raises and the savings associated with lower levels of civilian personnel. William P. Myers analyzed the data on annual growth in total costs of weapon systems for which selected acquisition reports are submitted to the Congress. Estimates of the long-term costs for the military services were prepared by Ivan Eland, Frances Lussier, and Lane Pierrot. Other components of CBO's long-term cost estimates were prepared by Ellen Breslin Davidson, Victoria Fraider, Wayne Glass, Raymond Hall, David Mosher, William Myers, Amy Plapp, and Rachel Schmidt. Kent Christensen, Wayne Glass, James Horney, Philip Joyce, David Mosher, and Lisa Siegel also provided valuable assistance. The author wishes to thank Amy Belasco, James L. Blum, Deborah Clay-Mendez, Ivan Eland, Frances Lussier, Michael Miller, William Myers, and Lane Pierrot for their helpful comments on earlier drafts. Richard L. Fernandez reviewed the paper for accuracy.

Leah Mazade edited the paper, with assistance from Christian Spoor. Judith Cromwell prepared it for publication.

Robert D. Reischauer
Director

January 1995

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INTRODUCTION AND SUMMARY

The Future Years Defense Program (FYDP) is a classified document that shows how current and future defense spending would be allocated among the combat and support elements of U.S. military forces. As the term is used here, it reflects the Administration's planned spending priorities for the Department of Defense (DoD) for fiscal years 1995 through 1999. For at least the past decade, there has often been a mismatch between the force structure (the number of military personnel, aircraft, ships, tanks, and other equipment) that an Administration proposes to field and the financial resources available to support those forces. Several analysts argue that a similar mismatch exists in the current FYDP.

The Congressional Budget Office (CBO) has been asked on several occasions over the past year to analyze the fit between proposed levels of defense spending and the Administration's plan. In testimony before the House Armed Services Committee in March 1994, CBO stated that although the Administration's most recent plan was subject to certain risks, its blueprint for defense spending seemed roughly sufficient to support the military forces envisioned in the Bottom-Up Review through 1999—the last year of the FYDP.[1] In an April 1994 analysis, CBO outlined two clear risks to the Administration's plan: that inflation would drive up pay and other defense costs and that DoD would not be able to reduce its infrastructure as quickly as it had planned.[2] Since those analyses were released, the Congress has approved higher military and civilian pay raises for 1995 than those included in the Administration's budget and made plans to reduce overall levels of discretionary spending (a category that includes most of the defense budget) over the next four years. It has also become clear that the Administration will need additional resources to finance a sizable round of base closures and realignments in 1995 if it hopes to reduce costs for defense infrastructure. The combination of these factors as well as recent estimates of the magnitude of DoD's potential shortfall have reignited debate over the size of the defense budget. This paper, which is a continuation of CBO's earlier fiscal analyses, aims to provide information for those discussions.

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1. Congressional Budget Office, "Planning for Defense: Affordability and Capability of the Administration's Program," CBO Memorandum (March 1994).

2. See Chapter 3 in Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1995* (April 1994).

Which Shortfall?

In the current debate, the term "shortfall" has been used to refer to different things. For instance, the word has been used to describe estimates made by the General Accounting Office (GAO) on the extent of "overprogramming" in the Administration's FYDP if defense costs grow or if anticipated savings do not materialize.[3] Alternatively, when Senate Armed Services Committee Chairman Sam Nunn introduced the 1995 defense authorization bill, he included Congressional actions in his accounting of a budget shortfall—notably, cuts in discretionary budget authority specified by the Concurrent Resolution on the Budget for fiscal year 1995.[4]

Those two usages of "shortfall" reflect two sets of pressures on national defense spending (see Figure 1). Because of concern about the size of the federal budget deficit, the Congress has instituted strict caps on discretionary spending through 1998. The combination of those caps, new cuts in discretionary spending, and competition with nondefense programs limits the real (inflation-adjusted) amount of money available for defense through the remainder of this decade. At the same time, many factors could boost defense costs above those budgeted in the FYDP—factors such as higher-than-anticipated inflation, pay raises, and growth in costs for weapon systems. In relation to GAO's estimate, shortfall refers only to the gap induced by rising defense costs. Senator Nunn includes factors that affect both the supply of and demand for resources.

Although this paper includes a discussion of current restrictions on federal spending, it focuses primarily on the demand side of the equation. In CBO's usage, a defense shortfall includes effects of some events, such as military and civilian pay raises granted by the Congress for 1995, that have already changed the costs of the plan that the Administration presented in February 1994. Other factors could raise defense costs in future years of the FYDP as well. But CBO's discussion of the shortfall concentrates on those risks that are most likely to occur.

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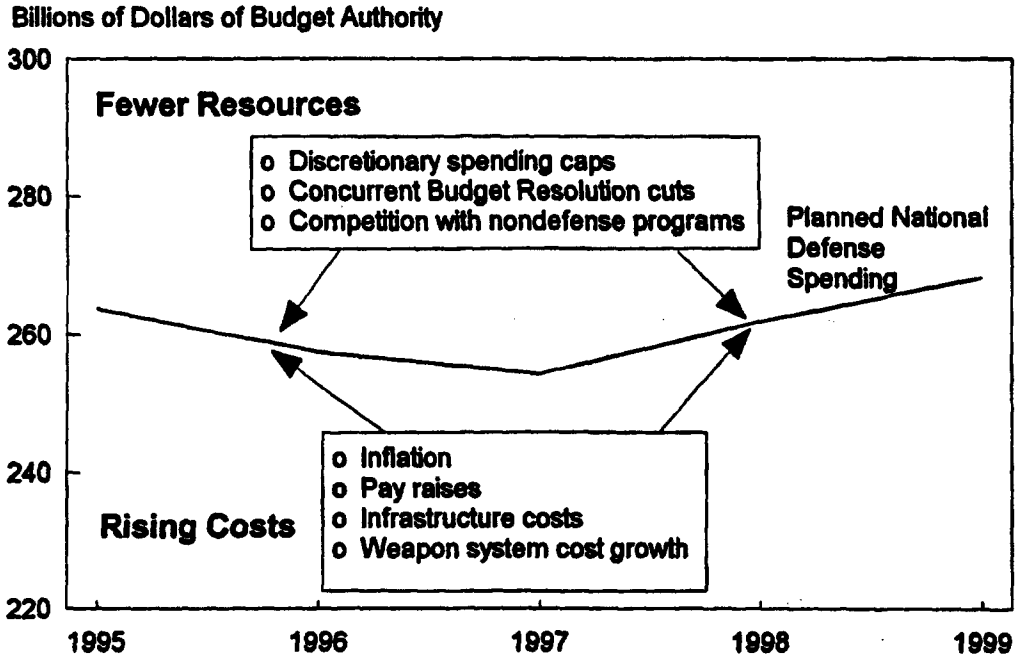
3. General Accounting Office, "Future Years Defense Program: Optimistic Estimates Lead to Billions in Overprogramming," GAO/NSIAD-94-210 (July 1994).

4. *Congressional Record*, June 22, 1994, p. S7423.

FIGURE 1. PRESSURES ON THE ADMINISTRATION'S PLAN FOR NATIONAL DEFENSE SPENDING, 1995-1999



SOURCE: Congressional Budget Office.

Measuring a Shortfall

Many participants in the current debate depict a budget shortfall as one specific value. But some factors that could contribute to a shortfall are more likely to occur than are others. For example, the Administration's current estimate is that inflation will average 3 percent over the 1995-1999 period. It could run higher, however, and therefore FYDP shortfalls resulting from inflation could emerge. Also a possibility is that inflation might prove to be lower than projected, which would generate lower defense costs.

Studies that attempt to estimate an overall shortfall for the defense budget typically add factors whose likelihoods differ significantly. In 1995, for example, DoD will face higher costs for military and civilian pay raises than those included in the FYDP, and it is likely to face higher costs for pay raises in 1996 through 1999 as well. But judging from history, overall increases or decreases in weapons costs from year to year are highly uncertain. Adding a single allowance for average cost growth ignores the uncertainty associated with those different kinds of estimates.

For some types of defense programs, the Administration would probably change its plan if costs appeared too daunting. For example, if the costs of cleaning up defense facilities run higher than expected, DoD may defer some environmental efforts until after the FYDP period rather than keep cleanup plans in place at the expense of force structure or readiness. Likewise, some modernization programs will probably be stretched out or canceled if the costs of weapon systems rise. Thus, projected shortfalls can be lessened through administrative decisions, although strictly speaking, such actions reduce military capability relative to the Administration's original plans.

How Big a Shortfall?

CBO has concluded that the Administration's planned force structure, level of operations, and modernization programs are likely to cost about $65 billion more than the funding provided in the FYDP, which translates into a shortfall of about 5 percent for the 1995-1999 period. That calculation takes into account only those factors that have already changed or those risks that are likely to occur—for example, inflation at rates above those originally projected (approximately equal in value to DoD's reported future adjustments of $20 billion, which are discussed below), larger military and civilian pay raises than those included in the Administration's plan, higher costs for the 1995 round of base realignments and closures, and higher costs for weapon systems (see Table 1). If CBO includes factors that are less certain, DoD's shortfall could be more than $100 billion from 1995 through 1999, or about 9 percent of planned funding. Note that those estimates do not include all possible areas of cost growth—for example, rising costs for health care provided to service members, their dependents, and military retirees.

CBO's $65 billion estimate was made prior to three recent actions by the Administration that would offset part of that shortfall. First, the President announced on December 1, 1994, that he planned to seek an additional $25 billion for defense over the 1996-2001 period. Of that amount, $10 billion would be added during the 1996-1999 period covered in CBO's analysis. (The remaining $15 billion would be spent in the years beyond the current FYDP.) The $10 billion increase is sufficient to cover the cost of pay raises for military personnel under current guidelines and programs designed to improve their quality of life. Second, the Administration announced that it would seek a supplemental appropriation of more than $2 billion for fiscal year 1995 to replace funds spent for contingency operations such as the one in Haiti. Third, on December 9, 1994, Secretary of Defense William Perry announced cuts to weapons modernization programs totaling $7.7 billion over the 1996-2001 period. Approximately $6 billion of that amount would affect the period

covered by CBO's analysis. Together, these three measures would reduce CBO's estimate of the shortfall to around $47 billion, or 4 percent of total planned spending over the 1995-1999 period. Administration officials contend that their inflation projections (which are due to be released in February 1995) would lower CBO's estimate still further. The Administration may also take other actions to offset rising defense costs, such as making additional cuts in DoD's level of civilian personnel.

Mismatches between plans and resources in the defense area are not a new phenomenon. Indeed, CBO, GAO, and other organizations have long analyzed the fiscal implications of defense plans for that very reason. By some estimates, the Reagan Administration's FYDP for the 1988-1992 period was underfunded by $325 billion—a shortfall in excess of 20 percent.[5] In 1989, GAO projected that the cost of the Bush Administration's defense plan for the 1990-1994 period could have surpassed planned spending by $150 billion.[6] In a 1991 memorandum, CBO noted that the costs of maintaining and modernizing the base force, as developed by the Bush Administration, could have exceeded its spending plan by several tens of billions of dollars.[7] In a July 1994 report, GAO argued that the current FYDP could be overprogrammed by more than $150 billion.[8] The magnitude of the defense mismatch is always a topic of debate; its existence at some level, however, appears to be endemic across Administrations.

Is 5 percent of planned five-year spending a large shortfall? On the one hand, $65 billion is not large in comparison with shortfalls estimated for some past defense plans, and it may be a manageable amount. Opportunities for reducing defense costs may still exist within DoD's budget: for example, the department could continue to cancel or scale back some weapons modernization programs or consolidate some support activities. Portions of DoD's operation and maintenance (O&M) activities are not tied directly to

5. Statement by Senator Sam Nunn in August 1986 cited in David Morrison, "Downhill Slide," *National Journal* (February 21, 1987), pp. 412-417. The estimate of $325 billion appears to have been based on a sizable drop in Administration budget requests for defense with no corresponding cuts in major weapons programs and little change in force structure. See Kevin Lewis, *National Security Spending and Budget Trends Since World War II*, N-2872-AF (Santa Monica, Calif.: RAND, June 1990), p. 61.

6. Statement of Charles A. Bowsher, Comptroller General of the United States, General Accounting Office, before the Senate Armed Services Committee, May 10, 1989.

7. Congressional Budget Office, "Fiscal Implications of the Administration's Proposed Base Force," CBO Memorandum (December 1991).

8. General Accounting Office, "Future Years Defense Program."

TABLE 1. POTENTIAL INCREASES IN DEPARTMENT OF DEFENSE COSTS, FISCAL YEARS 1995-1999 (In billions of current dollars of budget authority)

Item	1995	1996	1997	1998	1999	Total, 1995-1999	Percentage of Total Funding
Administration's Plan	252	243	240	247	253	1,236	100
Definite Areas of Cost Growth							
Pay Raise Effective in 1995	1	1	1	1	1	6	a
Likely Areas of Cost Growth							
Pay Raise Costs, 1996-1999[b]	0	1	3	5	7	17	1
DoD's Future Adjustments[c]	0	6	5	5	3	20	2
Estimates of Weapon System Cost Growth[d]	e	1	1	2	3	8	1
Net Costs of a Larger BRAC Round in 1995[f]	0	1	4	2	0	7	1
Quality-of-Life Adjustments[g]	0	h	h	h	h	2	a
Contingency Operations[i]	1	1	1	1	1	6	a
Total, Definite and Likely Areas of Cost Growth	2	13	17	18	16	65	5

(Continued)

TABLE 1. CONTINUED

Item	1995	1996	1997	1998	1999	Total, 1995-1999	Percentage of Total Funding
Less Certain Areas of Cost Growth							
Additional Costs of a More Pessimistic Estimate of Weapon System Cost Growth[j]	k	k	k	k	k	24	2
Environmental Cost Growth[l]	k	k	k	k	k	20	2

SOURCE: Congressional Budget Office.

NOTES: The estimate of a $65 billion shortfall over the 1995-1999 period reflects the combined effects of factors that CBO believes are likely to occur: higher military and civilian pay raises, DoD's reported future adjustments related to changes in inflation assumptions, growth in the cost of weapon systems, additional costs for the 1995 round of base realignments and closures, DoD's planned spending for quality-of-life improvements, and the cost of contingency operations. If less certain factors are included (more pessimistic estimates of weapon systems cost growth and environmental cleanup efforts), DoD's shortfall could total more than $100 billion. Note that these estimates do not include all possible areas of cost growth, such as higher costs for military health care, nor do they reflect all compensating adjustments that the Congress and the Administration may pursue, such as the Administration's recent announcement that it plans to increase defense spending by $25 billion over the 1996-2001 period and request a 1995 supplemental appropriation of more than $2 billion for contingency operations.

BRAC = Base Realignment and Closure Commission.

a. Less than 1 percent.
b. Estimated cost of providing military and DoD civilian pay raises over the 1996-1999 period is equal to available Administration projections of the employment cost index minus 0.5 percent plus civilian locality pay adjustments.
c. Future adjustments that the Administration included in its 1995-1999 Future Years Defense Program. The five-year total is related to assumptions about inflation that were later projected by the Administration to be higher than those used to develop the defense plan. According to Administration officials, inflation projections due to be released in February 1995 could substantially lower this cost.
d. Growth in procurement and in research, development, test, and evaluation (RDT&E) costs of high-risk major weapon systems, assuming that costs rise by rates consistent with those observed for similar platform types. Computed as average annual rates.
e. Because DoD planners had relatively up-to-date information about the status of high-risk programs when they developed their budget estimates for 1995, CBO assumes that program managers will be able to handle unanticipated cost growth in that year through relatively minor changes to program plans.
f. Estimated net increase in costs needed to hold a round of base realignments and closures beginning in 1995 that is approximately the same size as the combination of those that occurred in 1988, 1991, and 1993.
g. Plan announced by Defense Secretary William Perry in November 1994 that the Administration intends to add $450 million per year beginning in 1996 to increase living allowances for service members in high-cost areas, raise basic allowances for quarters, upgrade housing, and improve community and family support programs.
h. Less than $500 million.
i. Incremental cost of DoD's involvement in contingency operations such as those in Somalia, Rwanda, and Haiti.
j. Additional growth in procurement and RDT&E costs of high-risk major weapon systems, assuming that costs rise by rates consistent with those observed for similar platform types over their entire development and production cycles.
k. Annual detail not provided.
l. Growth in environmental costs (other than BRAC) if DoD has underestimated the costs of its programs, as it has in the past.

military readiness, and savings may be found in those areas. And given that the military foes that the United States now faces are not as formidable as was the former Soviet Union, it may be possible to accept a higher degree of risk in terms of U.S. defense capabilities. Accepting that higher risk may become more likely if the Congress decides that it would prefer to dedicate those defense resources to lowering the federal budget deficit or financing other nondefense priorities such as crime initiatives or welfare and health care reforms.

On the other hand, DoD has already experienced many years of budget cuts and may therefore have less flexibility to face further reductions. Since the mid-1980s, Administrations and the Congress have reduced spending for procurement and cut the number of military personnel as the primary means of lowering defense costs. Now that most of those cutbacks are well under way or already completed, DoD must focus on reducing other types of costs such as infrastructure—the system of bases, facilities, and civilian personnel that supports combat forces. But it takes time and money to close bases and facilities, and it may therefore be hard to realize savings quickly from cuts to infrastructure. Under current circumstances, a $65 billion shortfall may be harder to deal with than it would have been in previous years.

If sizable defense shortfalls have existed under previous Administrations, why is the current debate so heated? Perhaps one reason is today's budget climate: concern about the size of the federal deficit has made the implications of higher defense costs more apparent than in the past and, as a result, more contentious politically. Caps on discretionary spending imposed through 1998 will require real reductions in combined appropriations for defense, international, and domestic programs. If defense costs rise and the Congress chooses to increase defense appropriations, domestic and international discretionary programs will have to be cut dollar for dollar.

Causes of the Shortfall and Recent Actions That Will Affect Its Size

When the FYDP was introduced, the Secretary of Defense stated that he might need to cut spending by $20 billion over the 1995-1999 period to meet the Administration's defense budget limits. That value equals the higher costs that result under projections of inflation more recent than those used to create the FYDP. When the Administration proposed its budget for fiscal year 1995 in February 1994, some defense officials held out the hope that inflation would decline, which would mitigate the need for cuts. But the risk of higher inflation has not gone away—available projections of future inflation continue to exceed those underlying the FYDP. Therefore, it is likely that

some changes will be necessary. The exact magnitude of the shortfall may vary, depending on whose inflation projections one uses.

Costs of pay raises for military and civilian personnel are also higher than presumed in the FYDP. When the Administration developed the 1995-1999 plan, it assumed that it could hold pay raises below what they would be under current guidelines. But the Congress has granted military and civilian personnel pay raises for 1995 that are, on average, 1 percentage point higher than what was included in the FYDP, and DoD officials have stated that they plan to propose military pay raises that follow current guidelines through the remainder of the decade. CBO estimates that pay raises granted for 1995 combined with higher raises from 1996 through 1999 would cost about $23 billion more than is estimated in the FYDP. Pay raises granted for military and civilian personnel for 1995 account for about $6 billion of that total. Under available Administration projections of the employment cost index (ECI) and guidelines set by current law, future raises for military personnel would add $6 billion to costs, and those for civilian personnel would total more than $11 billion ($8 billion from adjustments designed to narrow the gap between federal and local pay scales). Given, however, that over the past two years, the President and the Congress have not granted pay raises as large as those allowed under federal guidelines, the $23 billion estimate may overstate the cost of pay raises somewhat. Similarly, Administration projections of the ECI for 1996 are likely to be revised downward, which would also lower CBO's estimate.

Another cost risk relates to the scope and pace of cuts to defense infrastructure. Funding for the bases and support activities that make up that infrastructure is found primarily in O&M appropriations, which also finance many activities related to military readiness. Some analysts believe that if DoD is unable to reduce infrastructure costs as quickly as planned, funding for military readiness may suffer.

Historically, roughly half of DoD's operating costs have varied with force levels; the rest have remained relatively fixed—much like business overhead costs that do not change quickly in response to sales volume.[9] The Administration's FYDP plans a total of $26 billion in O&M cuts over the 1995-1999 period relative to the 1994 level. If past relationships hold true today, roughly half of those cuts can be attributed to force reductions under the Bottom-Up Review, and the remainder may be ascribed to expected savings from cuts to infrastructure, among other factors. If those savings do

9. CBO, *An Analysis of the President's Budgetary Proposals*, pp. 33-34, and "Planning for Defense," pp. 14-16.

not materialize as quickly as the Administration has planned, its FYDP could face upward pressure on costs.

DoD could achieve infrastructure savings by conducting a large round of base closures beginning in 1995 under the framework of the Base Realignment and Closure (BRAC) Commission. But closing facilities and separating employees from the defense workforce also costs money in the near term, and the Administration included relatively little funding in its FYDP for the 1995 round of base realignments and closures. Policy statements by defense officials suggest that the goal of that round is to reduce DoD's total plant replacement value by 15 percent—roughly equivalent to reductions from the 1988, 1991, and 1993 rounds combined. The FYDP, however, includes less than $3 billion for the up-front costs of the next BRAC round during the 1995-1999 period. By comparison, if funding for the first three rounds had been phased to coincide with the 1995 round, DoD would have budgeted about $7 billion more for their combined costs than is included in the FYDP, net of expected savings.

Some Members of Congress have expressed interest in delaying the 1995 BRAC round or reducing it in scope, but in general the Congress appears to support pursuing a sizable round in 1995. In April 1994, Congressman James Hansen introduced an amendment to the defense authorization bill that would have delayed the 1995 round for two years. Senator Dianne Feinstein introduced a parallel bill in May 1994. But Congressman Hansen's amendment was defeated overwhelmingly, and Senator Feinstein's bill never reached the Senate floor.

The costs of developing and producing some weapons will undoubtedly rise during the remainder of the decade, but precisely what effect that increase will have on procurement and on research, development, test, and evaluation (RDT&E) budgets is hard to predict. Numerous studies have shown that the costs of major weapon systems are routinely underestimated. Even after one adjusts for inflation and changes in the number of units purchased, it is not unusual for a weapon system to experience costs that are 30 percent to 50 percent more than those estimated at the program's start—and sometimes the increase is higher. But pinpointing the amount of pressure DoD might experience over the 1995-1999 period is difficult, because the rate of cost growth varies depending on the mix of new and mature systems being procured.

Systems that are most likely to experience cost growth are those that are under development or in the early stages of production. Although the Administration's plan has few new programs compared with previous FYDPs,

it does contain funding for several systems at risk of cost growth, such as the Air Force's F-22 fighter, the Navy's new attack submarine, and the Comanche helicopter. Using planned levels of procurement and RDT&E spending and historical rates of cost growth calculated for various types of weapon systems, CBO estimates that the cost of high-risk weapons could grow by $8 billion to $31 billion during the FYDP.[10]

Note, however, that this estimate does not reflect budgetary reactions to growth in the cost of weapon systems—specifically, changes that the Congress and the Administration might make to offset higher costs such as program stretch-outs or cancellations. Strictly speaking, such changes reduce military capability relative to planned levels. But stretch-outs and cancellations are routinely carried out in response to budget pressures because they reduce total defense costs, at least in the near term. For that reason, DoD may not require tens of billions of dollars more to modernize equipment during the 1995-1999 period if the Congress agrees to programmatic changes; in fact, such changes could arguably offset a sizable portion of any overall shortfall in the defense plan. DoD would, however, pay higher procurement costs per unit for its new weapon systems.

Other actions by the Congress will also affect the size of the shortfall. The Congress has tightened targets for discretionary spending under the 1995 Concurrent Resolution on the Budget, which could constrain total (defense and nondefense) discretionary budget authority by $26 billion between 1995 and 1998. Likewise, the 1994 crime bill could further restrict resources available for defense. And defense authorizations and appropriations for 1995 postponed purchases of some weapon systems that the Administration had requested (such as the Tri-Service Standoff Attack Missile) and increased funding to speed up procurement of others (such as the Navy's seventh LHD-1 amphibious assault ship).

The Administration may continue to take steps that offset part of the shortfall (see Table 2). For example, defense officials may raise targets for reductions of civilian personnel. To illustrate the effects of such a policy, if the Administration reduced DoD's civilian workforce by an additional 40,000 workers between 1995 and 1999, it could lower defense costs by about $5 billion. In August 1994, Deputy Secretary of Defense John Deutch asked the military services to consider slowing or canceling nine major weapon systems, including high-priority programs such as the DDG-51 destroyer, the Comanche helicopter, the V-22 Osprey, and the F-22 fighter. Defense

10. Historical rates of cost growth are taken from Karen Tyson and others, *The Effects of Management Initiatives on the Costs and Schedules of Defense Acquisition Programs*, vol. 1, *Main Report*, P-2722 (Alexandria, Va.: Institute for Defense Analyses, November 1992).

Secretary William Perry recently announced changes to seven of those programs (primarily stretching them out) that the Administration expects will save $7.7 billion over the 1996-2001 period. Additional cuts could lower defense costs further. If all nine programs were canceled and no new spending put in their place for purchasing alternative systems, FYDP costs would decline by $47 billion.

TABLE 2. POSSIBLE COMPENSATING ADJUSTMENTS IN DEPARTMENT OF DEFENSE COSTS, FISCAL YEARS 1995-1999 (In billions of current dollars of budget authority)

Adjustment	1995	1996	1997	1998	1999	Total, 1995-1999	Percentage of Total Funding
Additional Cuts in Civilian Personnel Levels[a]	-1	-1	-1	-1	-2	-5	b
Illustrative Cancellations of Major Weapons Programs							
Comanche helicopter	-1	c	c	-1	-1	-3	b
DDG-51 destroyer	-3	-3	-3	-3	-3	-15	1
V-22 Osprey aircraft	c	-1	-1	-1	-1	-5	b
F-22 fighter aircraft	-2	-2	-3	-2	-3	-13	1
Total	-7	-7	-8	-8	-10	-41	3

SOURCE: Congressional Budget Office.

a. Illustrative savings from cutting DoD's civilian personnel by an additional 40,000 people between 1995 and 1999.

b. Less than 1 percent.

c. Less than $500 million.